

## Managing the Library's Money

*This Trustee Essential covers:*

- *Responsibilities for library expenditures*
- *Responsibilities for library financial health and financial reporting*
- *Options for proper handling of gifts and donations*

The library board has ultimate responsibility for all aspects of library financial management—from budgeting to spending to financial reporting. Your community will be much more willing to provide the resources necessary for high-quality library service when they know library finances are carefully controlled and monitored.

The board controls and monitors library finances by:

- Careful development and approval of the budget (see *Trustee Essential #8: Developing the Library Budget*).
- Review and approval of all library expenditures.
- Review and monitoring of monthly financial statements.
- Development of policies for the handling of gifts and donations.
- Accurate financial reporting.
- Careful attention to financial audits.

### Approval of library expenditures

Wisconsin Statutes give the library board exclusive control of the expenditure of all moneys collected, donated, or appropriated for the library fund. The board exercises this control through the approval of the budget, the establishment of financial policies, and the audit and approval of vouchers for all library expenditures.

Basic library financial procedures are as follows:

1. The library board approves the annual budget and any budget adjustments necessary during the year. (See *Trustee Essential #8: Developing the Library Budget*.)
2. The library director is delegated authority to make purchases within the budget and according to board-approved purchasing policies.
3. The library director is responsible for preparing vouchers for all expenditures, a monthly list of all library expenditures, and a monthly financial statement.
4. At the monthly board meeting, the library board audits and approves payment of the expenditures, and reviews and approves the financial statement.
5. The board secretary, or other designee of the board, signs the vouchers and they are forwarded to the municipal clerk for payment.
6. Expenditures approved by the board for payment out of any library-held trust/gift fund accounts are made by the board treasurer or other designee of the board. It is recommended that board policy or bylaws require two signatures (one being the board treasurer or president) for any payment or withdrawal out of a library-held account.

## Financial statements

To facilitate the board's monitoring of library finances, the director should present financial statements that the library board and the general public can understand. The library director should provide monthly financial reports that include:

- Last month and year-to-date expenditures for each line item
- Total income and expenditures last month and year-to-date
- Budget balances for each line item and the total budget

To oversee the finances adequately, the board should study financial statements carefully, ask questions, and be sure that they understand any unexpected or unusual expenditures or budget developments.

## Gifts and donations

Library boards may deposit gift, bequest, devise, and endowment funds in a savings or checking account held by the library. However, all other library income, including fines and fees, must be deposited with the municipality.

Wisconsin library law provides that library boards have exclusive *control* of all funds collected, donated, or appropriated for the library fund; however, library boards have the legal authority to maintain *custody* of only gift, bequest, devise, and endowment funds. Expenditures of funds held by the municipality for library purposes are made as approved by the library board, with actual disbursements made by the municipal treasurer.

Wisconsin Statutes Section 43.58 (7) provides three alternatives for the handling of a gift, bequest, devise, or endowment provided to the library:

1. The library board may transfer the funds to the treasurer of the municipality or county that established the library.
2. The library board may deposit the funds with a public depository (a bank, credit union, or savings and loan in Wisconsin, or the Local Government Investment Pool). A library board resolution must designate one or more public depositories to be used for these funds.
3. The library board may entrust the funds to a financial secretary (a library board member elected annually by the library board to serve in this capacity), who may invest the funds as permitted under s. 66.0603 (1m) or 112.10 (4); or may delegate investment authority for the gift, bequest, devise, or endowment as permitted under s. 66.0603 (2) or 112.10 (5). A financial secretary must be bonded for at least the value of the funds or property held. The financial secretary must also make at least annual reports to the library board showing in detail the amount and investment of and income and disbursements from any funds held. This report must also be attached to the annual report provided to the municipality, the system, and to the Division for Libraries, Technology, and Community Learning.
4. The library board may pay or transfer the donation, bequest, or endowment to a charitable organization described in section 501 (c)(3) of the Internal Revenue Code whose purpose is providing financial or material support to the public library. Examples of such organizations might include the library's Friends group or foundation.

For any funds in library custody, it is important that a library adopt policies for financial practices and controls that meet municipal audit requirements. For example, library board policy should require two signatures for any payment or withdrawal out of a library-held account. Libraries holding substantial funds should have an investment policy approved by the library board. The League of Wisconsin Municipalities has some guidelines for development of an investment policy at <http://tinyurl.com/55uszs>.

## **Annual report**

The library board is responsible for approving the state-required annual report and providing a copy to the library system, the DLTCL, and to the governing municipality. The library director prepares this report, but it is the library board's responsibility to ensure that the report is accurate and complete. It must show all library income by source and all expenditures in detail, as well as the status of all funds under library board control. Instructions and forms for the annual report are available at <http://dpi.wi.gov/pld/annrpt.html>. A *Sample Trust/Gift Fund Report* is attached.

## **Audit**

In most communities, public library financial records should be audited along with all other records maintained by the municipality or county that serves as the library's fiscal agent. Funds controlled directly by the library board, such as gift funds or endowments, should be audited annually by the municipality, the county, or an outside auditor. If your municipality does not audit your library's financial records, you may want to ask that they do so, or you may budget for an outside auditor to conduct an annual audit. Municipal and library audits are public records and must be publicly available. The library board should examine audit reports and carefully follow any audit recommendations.

### **Discussion Questions:**

1. Why is careful control and monitoring of library expenditures important?
2. What should a library board member do if he/she doesn't understand part of the financial statement or doesn't know the purpose of a particular expenditure?
3. What can your library board do if your library has a large unexpected expenditure—for example, if the air conditioning unit fails and needs to be replaced immediately?

### **Sources of Additional Information:**

*Sample Trust/Gift Fund Report* (attached)

Your library system staff (see *Trustee Tool B: Library System Map and Contact Information*)

Division for Libraries, Technology and Community Learning staff (see *Trustee Tool C* for contact information)

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# Sample Library Trust/Gift Fund Report

Note: A public library may maintain custody of gifts, donations, bequests, devises, or endowments. (See *Trustee Essential #9* for details.) The library's annual report must show the amount and investment of and income and disbursements from any funds held by the library board.

Date		1-Jan Beginning Balance	Deposits (New Donations)	Interest Earned	Expenditures	Balance
	<b>Anytown National Bank</b>					
	<b>CD #123456</b>					
1-Jan		\$ 5,000				\$ 5,000
30-Dec				\$ 300		\$ 5,300
	<b>Anytown National Bank</b>					
	<b>checking acct. #123456</b>					
1-Jan		\$ 1,000				\$ 1,000
28-Feb	Ms. Smith donation		\$ 800			\$ 1,800
10-May	Mr. Brown donation		\$ 300			\$ 2,100
30-May	transfer to operating budget				\$ (500)	\$ 1,600
4-Jun	purchase of DVDs				\$ (300)	\$ 1,300
15-Jul	purchase of puppets				\$ (100)	\$ 1,200
20-Oct	purchase of chair				\$ (100)	\$ 1,100
<b>Yearly total for all accounts</b>		<b>\$ 6,000</b>	<b>\$ 1,100</b>	<b>\$ 300</b>	<b>\$ (1,000)</b>	<b>\$ 6,400</b>

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